

Cable Enterprise Business Plan

OBJECTIVES

This presentation will provide you with information on:

- Our path forward
- Changes we have made to our business
- Our new strategies and plans
- Outcomes and timelines

AGENDA

PART

PART



PART



• PART 1 •

Recap: Cable Enterprise
Study Session

Cable's Customer Base



66.4 M

Cable Internet



Television



Phone

How We Stack Up

National

San Bruno Cable

53% · 44% 41% · 38% 25% · 6%

Broadband

Cable TV

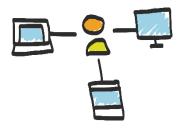
Phone

TV is becoming All Apps

Anytime, Anywhere



Strong video marketplace



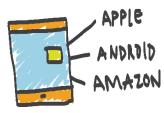
Always connected home



TV is truly everywhere



Merging media devices



Pay TV apps on all devices



TV is getting smarter

Router Upgrade; 10k CMTS

Upgrade to Arris E6000

Upgraded VOD Storage

Router Upgrade Project

TOTAL

System upgraded to 100% digital

CAP 1000 Equipment Upgrade

Router Upgrade with 10 Gigahertz Cards

MDU Fiber Projects (Shelter Creek, Peninsula Place & Crystal Springs)

PROJECT

San Bruno's Cable Infrastructure

270 Mhz System and 46.7 miles of cable	\$565,000	1971	12 channel system launched
Additional 13 miles of cable	\$86,000	1975	Expanded to 24 channels, with Set Top Boxes
450 Mhz System Upgrade	\$2,200,000	1985	60 channels fully addressable

COST

\$7,100,000 1999

117 channels; high speed data Launch of broadband internet \$300,000 2002

2007

2008

2012

2014

2015

2017

2018

2016-18

47 Years

YEAR

COMMENTS

Internet and phone capacity increase

Enabled enhanced monetization of capacity

Increased channel capacity

Increased internet capacity

Greater Cable VOD capacity

Increased internet capacity

Fiber into select MDUs

Increase HD channel capacity

750 Mhz System Upgrade ISP business launch Cable VOD launch \$425,000 2004 Enhanced system functionality

\$1,700,000

\$230,000

\$450,000

\$894,800

\$200,000

\$115,000

\$2,200,000

\$1,600,000

\$18,065,000

Current Financial Situation & Goals

SBC Per Subscriber / Revenue & Expense

Average Revenue Per User (ARPU)

\$109.54 per month

Average Expense Per Subscriber

\$113.75 per month

Net Margin

-3.7% (\$4.21)

SBC's Business Goals

FY 2018-19 Revenue

\$10.926m

FY 2018-19 Expenses

\$11.056m

Pay back General Fund Loan

-\$14.1m

ARPU Goal

\$95

Net Margin Goal

+10%

Subscriber Target

9,600 (+3k increase)

Build Cable Reserve

5% of Operational Expenses

What San Bruno Cable Has Accomplished



NEW MARKET LEADING PACKAGES LAUNCHED

Internet plus local TV at low prices.



PERFORMANCE IMPROVEMENTS

Increased internet capacity, speeds and reliability.



NEW LOOK & FEEL

Updated TV Guide on Set Top Boxes by April 01, 2019



NEW LOGO AND MARKETING

Rebranding and Campaign Planning underway



NEW LANGUAGES NOW AVAILABLE IN BASIC

New Chinese, Filipino and Korean channels now included in Basic Programming. Spanish channels already available.



NEW COST CONTROLS

Card Processor changed – 30% savings

Phone line costs lowered – 59% cheaper

Network monitoring costs lowered – 52% lower



LOW COST PHONE

\$7.50/month phone line now available!



NEW RATE CARD

Now available



CHANNEL 1

Upgrades under review.

San Bruno Cable's Crossroads



Enterprise has provided competitive service to San Bruno for 47 years



Limited investment in installing fiber in select apartment complexes, with good results



Internet usage on San Bruno Cable is exploding—1 Gig to 11 Gig growth from 2011-18. System needs to provide exponentially better internet connectivity to cater to its customers



System needs to offer higher internet speeds, better data caps and better TV/video package options to serve customers



Crossroads

Proceed with a comprehensive fiber upgrade to compete effectively?

Benefits of Fiber



Future proofed



With TV Guide's new look and feel, users will have easy navigation



1GB and higher internet speeds



Apps and IPTV to follow
—Bring Your Own Device
the goal



Enterprise will be internet focused—for data, video and phone services



TV channels per San Bruno customer preferences

Potential Streaming TV Partners















As retransmission fees rose over the last decade, network primetime audiences fell by more than half. VOD viewership has surged while live streaming TV is growing

Direction from City Council

- Develop a business plan for the future of the Cable Enterprise
- Research and develop financial options to fund the upgrade

Business Strategy

ISP Strategy



3 Services Strategy

TV

Internet Access

Phone



"Thick Pipe, Thin Pipe" Strategy

100% Last Mile Subscriber Relationship

Shared Subscriber Relationship

System Strategies

PRODUCT STRATEGY

- Gig Service + Local TV OR
- Best available speed +
 Local TV during rollout



- No contracts
- Reasonable price points"One stop bill" to come



CONTENT ACQUISITION STRATEGY

- Data based curation
- Licensing cost control



Enterprise Business Strategy

ISP Focus, TV and Phone add on services





MARKETING STRATEGY

- Grassroots campaigns
- Informational + Themed messaging
- No promotions—Everyday low price!

TECH STRATEGY

- Standardization
- Multicast IP
- BYOD

OPERATIONAL STRATEGY

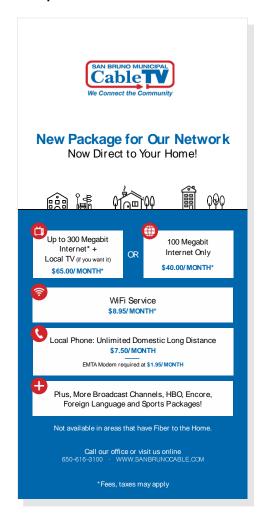
- Reduce reasons for complaints defective tap replacement
- KPIs—no fault days, fewer truck rolls
- System wide solution deployment

Changes Delivered by Enterprise Strategy

	PRESENT	FUTURE WITH ENTERPRISE STRATEGY
San Bruno Municipal Cable	Cable TV/ISP/ VoIP Provider	Cutting edge ISP/Cable TV/VoIP Provider
Types of communication & entertainment services available in the market	Regular TV and Internet Streaming TV / Megabit Internet/ Cellular & VoIP Phone/	IP Delivered Mobile & Regular TV/ Fiber Internet / IP Delivered Cellular & Wired Phone
TV Market	Streaming, Cable, Satellite TV	IP delivered streaming, cable & satellite
Pay TV Characteristics	High Costs, Bloated triple play packages (video, voice and data)	Reasonable costs linked to consumer's choice of single, dual or triple play assembled from single or multiple sources
TV Set Evolution	High Definition TV set with LED or Plasma, Smart TVs	Facilitate use of High definition, UHD/4K and smart TVs
Set Top Box Evolution	Cable set top still required but more IP video capable devices with consumers	Bring Your Own Device (BYOD) dominates and cable set tops fade out
Most consumed type of TV	Internet access and streaming video on demand (VOD) rules viewership; traditional linear TV exists	Internet delivered VOD and linear streaming TV rules viewership

Change in Residential Services

In System Areas without Fiber



New Base Packages

Internet Plus Local TV and Select International Channels (TV Activation Optional)

WiFi Service

Fastest growing service category

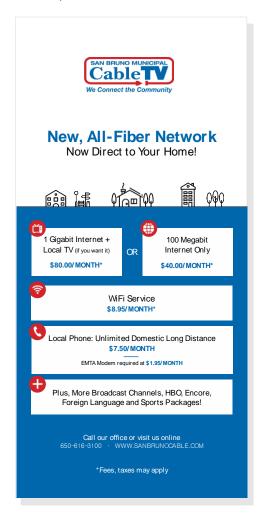
New Phone Rate

\$7.50 per month (includes unlimited LD and select Int'l Markets)

Low Income Internet and TV

Our system, like other systems, offers state mandated low cost access to internet and TV

In System Areas with Fiber



Change in Business Services

PRODUCT	PREVIOUS RATE (PER MONTH)	CURENT RATE (PER MONTH)
1 Gig Symmetric Internet and up to 2 phone lines*	Not Offered	\$300
300/10 Mbps Internet and up to 2 phone lines*	Not Offered	\$150
75/10 Mbps with 2 phone lines	Not Offered	\$85
100/10 Mbps	Not Offered	\$65

^{*}Only in fiber built areas

Benefits of Business Strategies & Changes



Enterprise is ready to offer fiber based internet access and TV



Residential Customers now have choice to customize their own communications & entertainment bundle



Exclusive services now available for business customers



Cost controls and new rate cards = elimination of business losses and positioning for growth

Situation

Enterprise is positioned to benefit customers and the business with Fiber technology

Rebranding Process

Process & Deliverables Overview

BRANDING PHASES

Phases	Deliverables
Phase 1	Research & Idea Generation: Includes research, sketches, logo explorations, color explorations, typography explorations; brand mood boards created
Phase 2	Design Refinements to a maximum of two chosen logo design routes; brand mood board refinements
Phase 3	Final Design Refinements to chosen logo, typeface, brand assets; logo applied to business card and other market- ing materials
Phase 4	Production Print- and Web-ready artwork created, business card files finalized; Brand Guideline document created











Samples of Marketing Collaterals

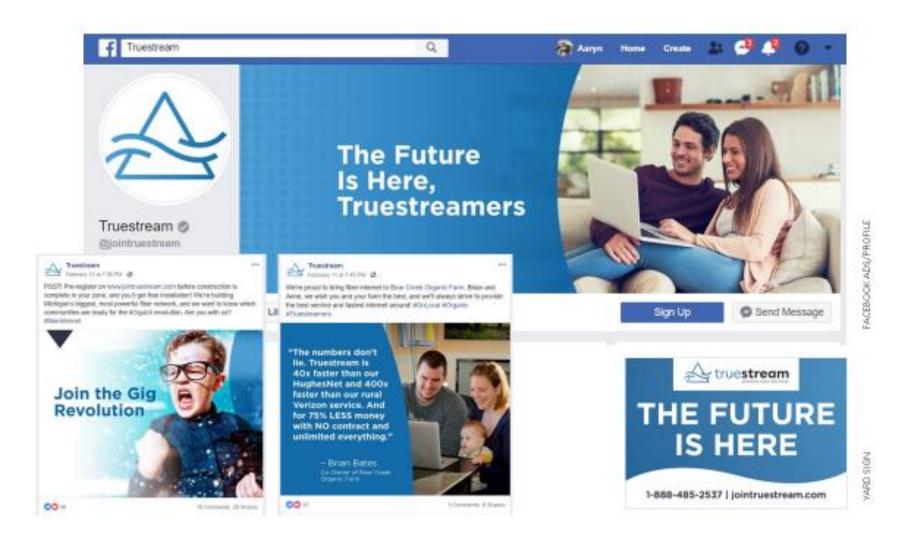






FLYERS DOOR HANGER

Samples of Marketing Collaterals



Samples of Marketing Collaterals





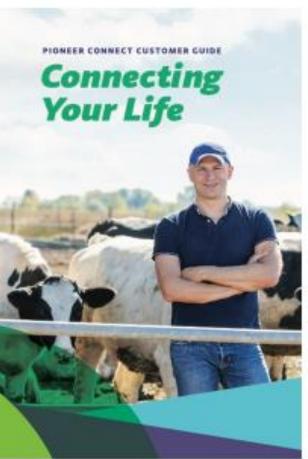
VEHICULE WRAPS

Samples of Marketing Collaterals



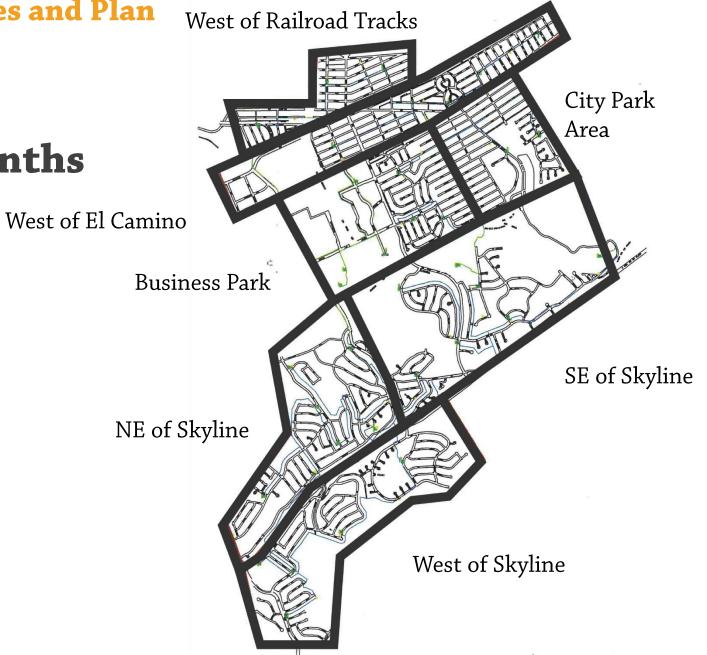
Samples of Marketing Collaterals





PART 2 · Business Strategies and Plan Fiber Rollout Plan

Entire City in 24 Months



Fiber Rollout Costs

EQUIPMENT	UNITS				
<u> </u>	nt Headend Equipment	\$382,500			
Rfog units	3750	\$671,250	Pole Count	2692	
Calix equipment	Headend Equipment	\$1,072,139	Number of Homes	13160	
Other equipment	Field Equipment	\$1,711,106	Miles of overhead plant	69	
Tap Cost		\$0	-	,	
TOTAL EQUIPMENT	COST	\$3,836,995	LABOR COST		
			Pole Cost permitting		\$647,500
			Construction cost for poles		\$2,119,000
			Drop and Home connections +Tap Labor		\$3,950,500
			Redesign Fiber		\$87,000
			Total Labor Cost		\$6,804,000
					\$6,804,00
TOTAL EQUIPM	ENT COST AND CONSTUCTION C	COST	\$10,640,995		

Fiber Rollout Plan



Project Consultant, 4 Temporary Technicians, Contractors



Every home and business will be passed by our fiber. Each customer will have a fiber drop – true fiber to the home



7 Rollout Phases, 93% aerial, 2,692 Poles



Overlashing, an FCC permitted method, will be used to replace hybrid fiber coaxial (HFC) cable with fiber



Rollout cost vastly lower than comparable rollouts – existing business, no pole permits, experienced team, cost controls

Poised for Success

Fiber rollout planned for timely, on budget execution

· PART 2 · SUMMARY

This section provided you information on:

- Enterprise's new strategies
- New rate cards, branding and marketing plans
- Benefits of strategies and current business position
- Fiber rollout plan and process

In the next section, we will tell you about the highlights of the business plan.



PART 3 · Plan Highlights

Why have 3 Scenarios for the Plan?

\$12.24M

Requested Fiber Capital Expenditure Over a multi-year period, unknown variables can play a role in business outcomes

Three business scenarios have been considered in the Business Plan:

Conservative

Moderate

Aggressive

PART 3 · Plan Highlights Scenarios

Plan Timeline

15 Years \$12.24M

Infrastructure Spend

Subscribers %

Payback

Conservative

35-58%

15 Years

General Fund Loan

Moderate

41-66%

13 Years

Aggressive

47-68%

10 Years

Fiber Upgrade Loan Repayment : 20 – 30 Years

PART 3 · Plan Highlights

Plan Revenues: Breakdown and Comparison

	Actual Prior to Jan 2019	Projected Range 2019-2033	
Average Revenue per User (ARPU), Monthly	\$110	\$111–139	
Contribution to ARPU			
Internet	37%	44–56%	
TV (Video)	42%	38–49%	
Telephone	4%	1-5%	

PART 3 · Plan Highlights

Channel 1 Upgrade

- Channel 1 is the City's Public, Educational and Government (PEG) TV Channel. It is operated by San Bruno Cable
- Channel 1 is funded by a \$1.50 tax on TV subscribers, in accordance with FCC regulations and national practice
- Channel 1 was last upgraded to Standard Definition Programming in 2008. The channel's infrastructure is outdated and failing to deliver consistent performance
- Staff recommends an upgrade of Channel 1 infrastructure to High Definition to permit better quality transmission and live internet streaming

Upgrade Plan

- Estimated Cost: \$175,427 (inclusive of 15% contingency)
- Timeline: 9 months
- Funding: Through potential savings in technology costs in the fiber upgrade plan

· PART 3 · SUMMARY

This section provided you information on:

- Business Plan Scenarios
- Projected Subscribers, Revenues and Expenses
- Channel 1 Upgrade

NEXT STEPS

- Council's approval of the Cable Enterprise Business Plan
- If approved, present financial options to fund the upgrade to fiber

Comments & Questions